

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EA-07 EUR-12 NEA-10 ISO-00 IO-13
FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00
DODE-00 FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05
OMB-01 PM-04 USIA-06 OES-06 SP-02 SS-15 STR-04
TRSE-00 ACDA-07 PA-01 PRS-01 /146 W
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FM AMEMBASSY LAGOS
TO SECSTATE WASHDC PRIORITY 8392
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
USINT BAGHDAD
AMEMBASSY BEIRUT
AMEMBASSY CARACAS
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY BSWAIT
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY QUITO
AMEMBASSY TEHRAN
AMEMBASSY THE HAGUE
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA

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E. O. 11652: N/A
TAGS: ENRG, NI
SUBJ: NIGERIA CONSIDERS OIL PRICE AFTER OPEC DECISION

REF: A) LAGOS 14237; B) LAGOS 14234; C) LAGOS 14203

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1; PETROLEUM OFFICER HELD ONE AND A HALF HOUR MEETING WITH
ASSISTANT DIRECTOR OF PETROLEUM RESOURCES IN CHARGE OF OPEC AND
ECONOMIC MATTERS, O.A. OKANLA, ON DECEMBER 23 TO DISCUSS LATEST
PRICE INCREASE AND HOW NIGERIA PLANS TO REACT.

2. OKANLA, WHO HAD JUST RETURNED FROM LEAVE DEC. 13 AND DID NOT GO

TO DOHA, WAS IN THOUGHTFUL, REFLECTIVE FRAME OF MIND, NOT AT ALL BELLIGERENT OR DEFENSIVE. HE WAS VERY INTERESTED IN NEWS OF RESPONSES FROM OTHER PRODUCERS AND CONSUMERS AROUND WORLD. HE DID NOT REPEAT NOT MENTION PLOTS BY INDUSTRIAL NATIONS TO BREAK UP OPEC OR SPLIT OPEC FROM OTHER THIRD WORLD COUNTRIES, NOR EXPRESS RESENTMENT AT US OPPOSITION TO PRICE INCREASE, NOR CRITICIZE SAUDI ARABIA AND UAE. GIVEN REPUTATION OKANLA HAS AMONG OIL COMPANIES AS HARD CONFRONTATIONAL BARGAINER, THIS REACTION SEEMS ALL THE MORE SIGNIFICANT IN ITS MODERATION COMAPRED WITH THE MORE STANDARD OPEC ELEVEN LINE REFLECTED IN PUBLIC STATEMENT BY COMMISSIONER OF PETROLEUM RESOURCES BUHARI (REFTEL C).

3. FROM WHAT OKANLA SAID, IT APPEARS NIGERIA WILL BE CAUTIOUS AND PRAGMATIC IN WORKING OUT ITS CRUDE PRICES FOR 1977. IMPLYING NO FINAL DECISION MADE YET, OKANLA SAID NIGERIA WOULD BE STUDYING VERY CLOSELY COMPARATIVE REFINING COSTS FOR SAUDI VERSUS NIGERIAN CRUDE TO DETERMINE WHAT DIFFERENTIAL MIGHT BE NEEDED TO KEEP NIGERIAN CRUDE COMPETITIVE. HE SPECIFICALLY MENTIONED COST OF REDUCING SULPHUR CONTENT OF SAUDI CRUDE TO LEVEL COMPARABLE WITH THAT OF NIGERIAN CRUDE AS BEING MORE THAN DOLLARS 1.50 PER BARREL. TRANSPORT COSTS ALSO TO BE REVIEWED CAREFULLY. HE AGREED NIGERIAN PRICE COULD BE SET BY ADDING RESULTING DIFFERENTIALS TO A BASE PRICE CONSISTING OF FORMER SAUDI MARKER AUGMENTED BY TEN PERCENT. WHILE OKANLA DID NOT CONFIRM THAT NIGERIAN COMMITMENT TO TEN PERCENT PRICE INCREASE WOULD BE SATISFIED IN THIS MANNER WHICH HE ACKNOWLEDGED WOULD YIELD ACTUAL OVERALL INCREASE OF LESS THAN TEN PERCENT, HE DID NOT DENY IT EITHER. OVERALL IMPRESSION GAINED BY PETROLEUM OFFICER IS THAT

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NIGERIA WILL NATURALLY TRY TO GET BEST DEAL IT CAN, FEELING THAT ITS CRUDE IS IN A RELATIVELY GOOD POSITION IN WORLD MARKET, BUT WILL NOT RISK LOSING ANY SUBSTANTIAL SALES BY TAKUNG RIGID LINE ON TEN PERCENT INCREASE IF MARKET WILL NOT SUPPORT IT.

4. IN GENERAL DISCUSSION OKANLA REFLECTED AIR OF PHILOSOPHICAL SKEPTICISM OVER WHOLE QUESTION OF PRICE INCREASES, INFLATION, INDEXING, NORTH-SOUTH DIALOGUES AND DEVELOPMENT. HE SAID THESE PRICE INCREASES EVERY FIFTEEN MONTHS OR SO WERE NOT A GOOD SOLUTION TO ECONOMIC PROBLEMS OF DEVELOPING COUNTRIES. THEY GENERATED CORROSIVE ANIMOSITY IN INTERNATIONAL RELATIONS AND ONLY ENDED IN VICIOUS SPIRAL OF INFLATION. YET THERE MUST BE A WAY TO PREVENT THE EROSION OF REAL PURCHASING POWER STARING NIGERIA AND OTHER DEVELOPING COUNTRIES IN THE FACE. SETTING AUTOMATIC ANNUAL ESCALATOR FOR PRICE OF OIL WAS NOT THE ANSWER SINCE PRICES OF ALL OTHER COMMODITIES AND MANUFACTURED GOODS COULD BE REVALUED UPWARD TO ERODE REAL VALUE OF OIL.

AS HE SAW IT, BEST SOLUTION LAY IN INDEXING OF PRICES OF ALL
COMMODITIES AND MANUFACTURED GOODS. GENUINE STABILITY OF PURCHASING
POWER ONLY HOPE FOR IMPROVEMENT IN STANDARD OF LIVING OF
DEVELOPING COUNTRIES.

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